

OFFICE OF THE COMMISSIONER OF INSURANCE

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY01 Adjusted Base	FY02 Recommended	% Change Over FY01	FY03 Recommended	% Change Over FY02
PR-O	11,123,600	12,023,500	8.1	12,272,700	2.1
PR-S	3,497,300	3,864,000	10.5	4,042,400	4.6
SEG-O	69,367,400	75,733,400	9.2	77,812,700	2.7
TOTAL	83,988,300	91,620,900	9.1	94,127,800	2.7

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY01 Adjusted Base	FY02 Recommended	FTE Change From FY01	FY03 Recommended	FTE Change From FY02
PR-O	95.25	96.25	1.00	96.25	0.00
PR-S	25.00	25.00	0.00	25.00	0.00
SEG-O	13.75	13.75	0.00	13.75	0.00
TOTAL	134.00	135.00	1.00	135.00	0.00

AGENCY DESCRIPTION

The agency was created by the Legislature in 1871 and the original intent of the agency has not changed drastically over the past 130 years. The agency is vested with broad powers to ensure that the insurance industry responsibly and adequately meets the insurance needs of Wisconsin citizens. The agency performs a variety of tasks to protect insurance consumers and ensure a competitive insurance environment. The agency's major functions include: reviewing insurance policies that are sold in Wisconsin to make sure they meet the requirements set forth in Wisconsin law; conducting examinations of domestic and foreign insurers to ensure compliance with Wisconsin laws and rules; monitoring the financial solvency of licensed companies to make sure that consumers have the insurance coverage they expect when they need it; issuing licenses to the various parties involved in selling and marketing insurance products; assisting insurance consumers with their insurance problems; researching special insurance issues to understand and assess their impact on Wisconsin; providing technical assistance on legislation and promulgating administrative rules to interpret insurance laws; creating and distributing public information and consumer education pieces to educate people about insurance; and operating a state life insurance fund, a property fund for the property owned by local units of government and a patients compensation fund insuring health care providers for medical malpractice.

MISSION

The mission of the agency is to lead the way in informing and protecting the public and responding to its insurance needs.

PROGRAMS, GOALS, OBJECTIVES AND ACTIVITIES

Program 1: Supervision of the Insurance Industry

Goal: Proactively address the root causes of problems in the insurance marketplace through effective regulation with an emphasis on early detection and prevention.

Objective/Activity: Aggressively conduct all regulatory core mission functions, including information collection, analysis, licensing and adjudication; refine and improve early warning systems in financial and market regulation; train staff to facilitate intra-agency communication and early identification of regulatory issues; and encourage external interaction and feedback.

Goal: Provide information and assistance to the public, including consumers, legislators, insurers, agents, other states, the federal government and other organizations.

Objective/Activity: Ensure that staff directly interacting with the public have the training and equipment to provide information and assistance in a timely and courteous manner; continue to use and improve performance measures; provide public information through the development and implementation of a coordinated communication plan; and improve and preserve state regulation of insurance by communicating with, and informing the public.

Goal: Provide ongoing support and development of each staff member.

Objective/Activity: Provide a healthy and safe work environment; develop the full potential of staff by promoting training and growth opportunities; foster diversity in the workplace; promote positive communication, cooperation and mutual respect within and among all work units, and continue to develop work group teams to improve cross-functional work processes; through continued use of performance standards, strive to improve all functions; and assess restructuring and reallocation of staff resources as appropriate to better address work needs.

Goal: Use appropriate technology to provide tools for the regulation of insurance.

Objective/Activity: Continually review emerging technologies and conduct cost-benefit analyses of applications; encourage officewide participation in technology planning and implementation such as through the Information Technology Strategic Planning Committee; improve state regulation and service by implementing the use of technology to facilitate the sharing of information with other regulatory authorities; and provide opportunities for staff to research and develop new approaches to optimize the use of technology.

Program 2: Patients Compensation Fund

The major objective of the program is to assure that adequate funds are available to compensate patients for serious injuries resulting from acts of medical malpractice. Approximately 12,059 health care providers are covered by the fund. Since its inception in 1975, through December 1999, the fund has paid 549 claims totaling \$434,474,429.

Goal: Provide excess medical malpractice coverage for Wisconsin health care providers.

Objective/Activity: Ensure the sound fiscal management and integrity of the fund and provide a regular accounting or audit of the fund.

Program 3: Local Government Property Insurance Fund

The purpose of the fund is to make reasonably priced property insurance available for tax-supported local government property such as government buildings, schools, libraries and motor vehicles. The fund provides policy and claim service to the policyholders. As of June 30, 2000, the fund insured 1,113 policyholders. The total amount of insurance in force as of June 30, 2000, was \$25 billion, up from \$22 billion as of the previous fiscal year-end.

Goal: To make reasonably priced property insurance available for tax-supported local government property.

Objective/Activity: Ensure the sound fiscal management and integrity of the fund and provide a regular accounting or audit of the fund.

Program 4: State Life Insurance Fund

The fund is a state-sponsored program established to provide low-cost life insurance coverage. The maximum level of coverage available to each policyholder is \$10,000.

Goal: To provide a state-sponsored life insurance program for the benefit of residents of Wisconsin.

Objective/Activity: Ensure the sound fiscal management and integrity of the fund and provide a regular accounting or audit of the fund.

PERFORMANCE MEASURES

Prog. No.	Performance Measure	Actual 2000	Goal 2001	Goal 2002	Goal 2003
1.	Number of financial examinations.	50	55	55	55
1.	Number of market conduct examinations.	5	10	10	12
1.	Consumer complaints handled in a timely fashion.	94%	90%	90%	90%
1.	Policy form reviews conducted in a timely manner.	27,086	55,000	55,000	55,000
1.	Insurance intermediary licensing function processed in a timely manner.	10,548	10,000	10,000	10,000
1.	Develop, maintain and distribute consumer education material to the public in a timely manner.	282			
1.	Continually update the Web site so users can find the information they need.	500			
2.	Patients Compensation Fund report accepted by Board of Governors.	Report accepted	Report accepted	Report accepted	Report accepted
3.	Submit annual statement to regulator of the fund timely and in accordance with statutory and GAAP reporting requirements.	Meet GAAP standards	Meet GAAP standards	Meet GAAP standards	Meet GAAP standards
3.	Provide a regular accounting or audit of fund via a Legislative Audit Bureau audit which result in no major issues being identified or a qualified audit opinion being rendered.	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion
4.	Submit annual statement to regulator of the fund timely and in accordance with statutory and GAAP reporting requirements.	Meet GAAP standards	Meet GAAP standards	Meet GAAP standards	Meet GAAP standards
4.	Provide a regular accounting or audit of fund via a Legislative Audit Bureau audit, which result in no major issues being identified or a qualified opinion being rendered.	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion

OFFICE OF THE COMMISSIONER OF INSURANCE

GOVERNOR'S BUDGET RECOMMENDATIONS

RECOMMENDATIONS

1. Insurance Examiner for Market Regulation
2. Financial Examiners Assistance
3. Infrastructure Base
4. Applications Development Programmers
5. Consumer Publications
6. State Life Insurance Fund: Insurance Financial Management System
7. Local Government Property Insurance Fund
8. The Board on Aging and Long-Term Care
9. Semiautomatic Pay Progression Series
10. Rental Space
11. Chargeback Funding
12. Standard Budget Adjustments

ITEMS NOT APPROVED

13. Financial Examiner Trainee Program
14. Actuarial Services
15. Travel Costs for Financial Examiners
16. Teammate 2000 Software
17. Affirmative Action Program LTEs
18. Shared Human Resources System

Table 1
Department Budget Summary by Funding Source (in thousands of dollars)

	ACTUAL FY00	ADJUSTED	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		BASE FY01	FY02	FY03	FY02	FY03
PROGRAM REVENUE (2)	\$13,702.0	\$14,620.9	\$16,915.3	\$17,008.6	\$15,887.5	\$16,315.1
State Operations	13,702.0	14,620.9	16,915.3	17,008.6	15,887.5	16,315.1
SEGREGATED REVENUE (3)	33,455.9	69,367.4	75,743.3	77,797.1	75,733.4	77,812.7
State Operations	1,881.4	2,052.8	2,331.3	2,298.7	2,321.4	2,314.3
Local Assistance	5,773.5	9,637.2	15,734.6	17,821.0	15,734.6	17,821.0
Aids to Ind. & Org.	25,801.0	57,677.4	57,677.4	57,677.4	57,677.4	57,677.4
TOTALS-ANNUAL	47,157.9	83,988.3	92,658.6	94,805.7	91,620.9	94,127.8
State Operations	15,583.4	16,673.7	19,246.6	19,307.3	18,208.9	18,629.4
Local Assistance	5,773.5	9,637.2	15,734.6	17,821.0	15,734.6	17,821.0
Aids to Ind. & Org.	25,801.0	57,677.4	57,677.4	57,677.4	57,677.4	57,677.4

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

Table 2
Department Position Summary by Funding Source (in FTE positions) (4)

	ADJUSTED	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
	BASE FY01	FY02	FY03	FY02	FY03
PROGRAM REVENUE (2)	120.25	121.25	121.25	121.25	121.25
SEGREGATED REVENUE (3)	13.75	13.75	13.75	13.75	13.75
TOTALS-ANNUAL	134.00	135.00	135.00	135.00	135.00

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

(4) All positions are State Operations unless otherwise specified

Table 3
Department Budget Summary by Program (in thousands of dollars)

	ACTUAL FY00	ADJUSTED BASE FY01	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY02	FY03	FY02	FY03
1. Supervision of the insurance industry	\$13,702.0	\$14,620.9	\$16,915.3	\$17,008.6	\$15,887.5	\$16,315.1
2. Patients compensation fund	24,167.8	55,521.7	55,650.3	55,646.2	55,644.8	55,653.5
3. Local government property insurance fund	6,187.9	10,310.8	16,461.4	18,571.6	16,460.7	18,572.5
4. State life insurance fund	3,100.2	3,534.9	3,631.6	3,579.3	3,627.9	3,586.7
TOTALS	47,157.9	83,988.3	92,658.6	94,805.7	91,620.9	94,127.8

Table 4
Department Position Summary by Program (in FTE positions) (4)

	ADJUSTED BASE FY01	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		FY02	FY03	FY02	FY03
1. Supervision of the insurance industry	120.25	121.25	121.25	121.25	121.25
2. Patients compensation fund	8.11	8.11	8.11	8.11	8.11
3. Local government property insurance fund	1.07	1.07	1.07	1.07	1.07
4. State life insurance fund	4.57	4.57	4.57	4.57	4.57
TOTALS	134.00	135.00	135.00	135.00	135.00

(4) All positions are State Operations unless otherwise specified

1. Insurance Examiner for Market Regulation

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	39,800	1.00	43,400	1.00	39,800	1.00	43,400	1.00
PR-S	3,100	0.00	600	0.00	3,100	0.00	600	0.00
TOTAL	42,900	1.00	44,000	1.00	42,900	1.00	44,000	1.00

The Governor recommends providing 1.0 FTE position to evaluate the use of the Internet in the marketing, sales and customer service of insurance. The provision of insurance products through the Internet is increasing significantly and a position dedicated to Internet surveillance will ensure that the companies comply with relevant insurance law and that consumers' interests are protected.

2. Financial Examiners Assistance

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	178,500	0.00	177,800	0.00	178,500	0.00	177,800	0.00
TOTAL	178,500	0.00	177,800	0.00	178,500	0.00	177,800	0.00

The Governor recommends providing one-time funding to contract with certified public accountants (CPA) and to provide additional training to the agency's financial examiners. Because the majority of the examiners have less than two years experience, the services of CPAs and additional training will assist the examiners in conducting financial examinations of insurance companies.

3. Infrastructure Base

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	291,400	0.00	291,400	0.00	291,400	0.00	291,400	0.00
PR-S	291,400	0.00	291,400	0.00	291,400	0.00	291,400	0.00
SEG-O	30,500	0.00	30,500	0.00	30,500	0.00	30,500	0.00
TOTAL	613,300	0.00	613,300	0.00	613,300	0.00	613,300	0.00

The Governor recommends providing funding to continue to support the replacement and maintenance costs of information technology infrastructure as specified in the agency's information technology plan.

4. Applications Development Programmers

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	495,800	0.00	520,600	0.00	177,100	0.00	206,500	0.00
PR-S	495,800	0.00	520,600	0.00	177,100	0.00	206,500	0.00
TOTAL	991,600	0.00	1,041,200	0.00	354,200	0.00	413,000	0.00

The Governor recommends providing expenditure authority for applications development services equivalent to the cost of three state positions assuming that the office will purchase programming services from the Department of Administration.

5. Consumer Publications

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	48,100	0.00	49,000	0.00	48,100	0.00	49,000	0.00
PR-S	8,800	0.00	8,800	0.00	8,800	0.00	8,800	0.00
SEG-O	300	0.00	300	0.00	300	0.00	300	0.00
TOTAL	57,200	0.00	58,100	0.00	57,200	0.00	58,100	0.00

The Governor recommends funding to enable the office to develop new consumer education materials and to pay for increased postage costs.

6. State Life Insurance Fund: Insurance Financial Management System

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	56,000	0.00	6,000	0.00	56,000	0.00	6,000	0.00
TOTAL	56,000	0.00	6,000	0.00	56,000	0.00	6,000	0.00

The Governor recommends providing funding to purchase a new financial management system for the state life insurance fund. The purchase of the new system will address the Legislative Audit Bureau's audit recommendations to reconcile the fund's general ledger with WiSMART and will allow compliance with the new National Association of Insurance Examiners mandated insurance accounting standards.

7. Local Government Property Insurance Fund

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	6,141,900	0.00	8,252,600	0.00	6,141,900	0.00	8,252,600	0.00
TOTAL	6,141,900	0.00	8,252,600	0.00	6,141,900	0.00	8,252,600	0.00

The Governor recommends increasing the expenditure authority for the local government property insurance fund to support the contractual costs of the administrator of the fund and to reestimate the projected loss experience.

8. The Board on Aging and Long-Term Care

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	45,100	0.00	54,500	0.00	31,600	0.00	38,000	0.00
TOTAL	45,100	0.00	54,500	0.00	31,600	0.00	38,000	0.00

The Governor recommends providing increased expenditure authority to cover the cost increases that will be experienced by the board which operates the Medigap hotline on behalf of the office.

9. Semiautomatic Pay Progression Series

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	0	0.00	0	0.00	144,200	0.00	202,300	0.00
TOTAL	0	0.00	0	0.00	144,200	0.00	202,300	0.00

The Governor recommends providing funding for the semiautomatic pay progression series for financial examiners as authorized by the Department of Employment Relations.

10. Rental Space

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	264,200	0.00	204,100	0.00	179,800	0.00	331,300	0.00
PR-S	264,200	0.00	204,100	0.00	179,800	0.00	331,300	0.00
SEG-O	32,200	0.00	25,300	0.00	22,300	0.00	40,900	0.00
TOTAL	560,600	0.00	433,500	0.00	381,900	0.00	703,500	0.00

The Governor recommends providing additional expenditure authority to pay for rent increases when the office moves from its current building to a new location in January 2002.

11. Chargeback Funding

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	66,800	0.00	66,800	0.00	66,800	0.00	66,800	0.00
SEG-O	102,500	0.00	102,500	0.00	102,500	0.00	102,500	0.00
TOTAL	169,300	0.00	169,300	0.00	169,300	0.00	169,300	0.00

The Governor recommends providing expenditure authority to each program in order to pay for the charges for services provided by the Administrative Services Division. These costs include pay plan, legal services and other administrative services.

12. Standard Budget Adjustments

Source of Funds	Agency Request				Governor's Recommendation			
	FY02		FY03		FY02		FY03	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	-113,200	0.00	-55,100	0.00	-257,400	0.00	-257,400	0.00
PR-S	-293,500	0.00	-293,500	0.00	-293,500	0.00	-293,500	0.00
SEG-O	12,500	0.00	12,500	0.00	12,500	0.00	12,500	0.00
TOTAL	-394,200	0.00	-336,100	0.00	-538,400	0.00	-538,400	0.00

The Governor recommends adjustments to the agency's base budget for: (a) turnover reduction (-\$119,100 in each year); (b) removal of noncontinuing elements from the base (-\$765,200 in each year); (c) full funding of continuing position salaries and fringe benefits (\$306,100 in each year); (d) BadgerNet increases (\$1,800 in each year); and (e) fifth week of vacation as cash (\$38,000 in each year).

ITEMS NOT APPROVED

The following requests are not included in the Governor's budget recommendations for the Office of the Commissioner of Insurance.

Decision Item	Source of Funds	FY02		FY03	
		Dollars	Positions	Dollars	Positions
13. Financial Examiner Trainee Program	PR-O	63,600	0.00	177,600	0.00
	PR-S	6,200	0.00	7,400	0.00
14. Actuarial Services	PR-O	39,300	0.00	19,300	0.00
15. Travel Costs for Financial Examiners	PR-O	30,900	0.00	30,800	0.00
16. Teammate 2000 Software	PR-O	8,700	0.00	8,700	0.00
	PR-S	4,700	0.00	4,700	0.00
17. Affirmative Action Program LTEs	PR-O	37,000	0.00	37,000	0.00
	PR-S	11,700	0.00	11,700	0.00
18. Shared Human Resources System	PR-O	3,000	0.00	3,000	0.00
	PR-S	3,000	0.00	3,000	0.00
TOTAL OF ITEMS NOT APPROVED	PR-O	182,500	0.00	276,400	0.00
	PR-S	25,600	0.00	26,800	0.00